TRANSCRIPT OF "20/20" PROGRAM –
November 29, 1991

Opening of Show

HUGH DOWNS, ABC News: Good evening, I'm Hugh Downs.

BARBARA WALTERS, ABC News: And I'm Barbara Walters and this is 20/20.

ANNOUNCER: From ABC News, around the world and into your home, the stories that touch your life. With Hugh Downs and Barbara Walters, this is 20/20. Tonight:

> WOMAN DEMONSTRATOR: Shame on you for going in there.

ANNOUNCER: Workers in panic across the South because this restaurant chain started firing homosexual waiters.

> ROGER AUGUSTINE, Lithonia, Georgia: I may have a little problem if I knew they had AIDS or something like that, but then, you don't know that. As long as he doesn't bleed in my food, what difference does that make, right?

ANNOUNCER: Loyal workers with proven records fired at will.

> SAM HARE, Dismissed Employee: What difference does it make what I do in the privacy of my own home? Whose business is it?

ANNOUNCER: Tom Jarriel reports: is firing homosexuals against the law? Can it really come down to "Whom Do You Sleep With?"

And a small investors' nightmare: they put up money for investing in real estate. Then it all went sour.

ROSALYN LAMB, Limited Partner: If things went down the tubes, he was supposed to sell the real estate and split the proceeds.

ANNOUNCER: Instead, they ended up with paper and promises. The man behind it wouldn't talk to us.

Mrs. LAMB: I don't know how he sleeps at night.

ANNOUNCER: It's all legal. What did he do and could it happen to you? John Stossel reveals the bottom line, it's "Too Good to Be True."

And if your marriage is in trouble, this story could save it.

JUDY MULLER: I feel like I'm not supposed to say anything, I'm not supposed to force the issue.

ANNOUNCER: When Judy and Bob felt their marriage had lost its meaning, they got help.

JO-ANN KRESTAN, Marriage & Family Therapist: Wait a minute, wait a minute. Let's get clear on whose—this is an issue that affects your life.

ANNOUNCER: What you argue about can hide the real problem.

BOB MULLER: Maybe that's at the core of the way I deal with a lot of things.

ANNOUNCER: What steps did she take? How did he change? A valuable lesson on rebuilding your marriage. Stone Phillips reports, "You Can Work It Out." Those stories tonight, November 29th, 1991.

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"Too Good To Be True"

WALTERS: In the 1980's, many people wanted to get rich quick in real estate, but what if you were a small investor who didn't really know how the game was played? Well, why not put your money in the hands of professionals? The smart money crowd knows how to parlay an investment into handsome returns. Tonight, John Stossel tells us of people who did just that, only things didn't quite work out as they planned.

[voice-over] For them, the 80's are but a memory. So, too, it seems, is their money.

JOHN STOSSEL, ABC News: *[voice-over]* Miami, Florida has been good to a kid who started out with little and then made it big here in real estate. Alan Levan now lives in this elegant South Miami estate, protected by these electric gates and a high-powered security system. From his private pool and tennis court, he looks out on a beautiful lagoon and sculptured gardens. Levan made his money heading this real estate company in Coral Gables. Now, he's become a banker, too—he controls this big savings and loan in Fort Lauderdale—and he owes his success, according to this videotape he [s]ent us, to his desire to help the little guy.

> ALAN LEVAN Chairman, BankAtlantic Financial Corporation: These programs were designed to allow little investors to participate in real estate just like the big guys.

STOSSEL: *[voice-over]* The "programs" he's talking about are real estate partnerships. Throughout the 70's and 80's, we all kept hearing about all those big financiers getting rich on real estate. Many were getting rich—they got tax breaks and property values kept going up. Small investors wanted in on the action, but with $5,000 and $10,000 or $20,000 to invest, how could they participate? It costs millions to buy or build a shopping center.

[on camera] Levan and other promoters had a solution. "Give us your $5,000 or $10,000. We'll combine your investments into a pool of millions. We'll invest that in real estate and we'll all share the profits. Of course, you guys don't know anything about managing property and the risks involved, so we'll call you limited partners. You just sit there and send us your money. We, the general partners, we'll run things."

[voice-over] Levan's pitch was appealing enough that he was able to raise $230 million from 30,000 people, most of them small investors like retired salesman Hal Lamb and his wife Rosalyn.

ROSALYN LAMB, Limited Partner: We didn't go into it with the idea of making a killing. We went into it to get our—put our money in and get our fair share out.

STOSSEL: *[voice-over]* Levan's promotion tape said the general partner would make no profit unless the limited partners had at least doubled their money.

> ANNOUNCER: *[I.R.E. videotape]* Limited partners must receive[ ] 100 percent of their original investment, plus a 100 percent return on that investment—

STOSSEL: *[voice-over]* In the 70's and early 80's, real estate boomed. Levan's partnership made money. But then the boom burst. A change in the tax law made things even worse. Now, real estate held by partnerships was worth less and so investments held by people like the Lambs were worth less.

[on camera] Now, at this point, you could say, "I'm sorry, but too bad for them. They took a risk when they invested in real estate. They just have to sell their property at a loss." Fine. That's actually what the Lambs thought would happen.

Mrs. LAMB: If things went down the tubes, he was supposed to sell the real estate and split the proceeds with the investors. That's not what he did.

STOSSEL: *[voice-over]* What Levan did is something called a "roll-up" and that's what this story is about.

HAL LAMB, Limited Partner: Roll-ups are kind of like kicking a guy when he's down.

STOSSEL: *[voice-over]* In the rain in Orlando, Florida, limited partners, angry about other roll-ups, picketed a meeting of the General Partners Association. The limited partners say it's no surprise that they are out in the cold while the general partners, firmly in control, discuss their roll-ups in the posh hotel. Limited partners were not allowed in here.

HOTEL EMPLOYEE: Take it out. This is disruptive, sir.

STOSSEL: *[voice-over]* Neither were we.

[on camera] What is a roll-up? It's simply an exchange of one investment for another. Instead of selling the real estate and giving limited partners their share, the general partner, supposedly acting in the interest of the limited partner, exchanges that investment for another, usually a stock that's traded on a stock exchange. There's nothing wrong with this if it's a fair exchange. The problem is that many roll-ups done so far have been bad deals for the limited partners.

SANFORD ZEMEL, Limited Partner: I just feel that the limited partners have really gotten the short end of it in this whole deal.

STOSSEL: Now, let's look at Levan's roll-up. This is Barnett Square shopping center in Miami. Levan bought this property for the limited partnership for $5 million. Then, at the time of the roll-up, he said, "You know, real estate hasn't done as well as we'd hoped, but I won't stick you

with these properties. Instead, I'll trade them and give you bonds instead."

So he kept the property and recently sold it for $4 million—not great, but not bad. His company got that $4 million. What the limited partners got was this piece of paper.

[voice-over] The paper is a debenture, a bond. A bond is really just a promise—a promise, in this case, to pay back the money that's printed on the bond in 20 years and in the meantime, to pay more than 10 percent interest.

[interviewing] This is what they gave you?

RICHARD HINES, Limited Partner: Yes.

STOSSEL: It looks nice.

[voice-over] For many of the people, the amount printed on the bond was half what they had originally invested. Some lost even more.

Mr. HINES: This one's $350. I invested $2,500.

STOSSEL: Of course, some of that loss is expected. Much of Levan's real estate lost over half its value. That wasn't Levan's fault and Levan's limited partners did get some cash payments in early years. But what's remarkable about Levan's roll-up is that while he got cash for the properties, these bonds he gave them aren't worth the amount printed on them.

[voice-over] The bonds' value ultimately depends on the health of Levan's savings and loan. Its profits are supposed to assure that the limited partners will be getting fat interest payments.

Mr. LAMB: Sure we are. It says here 11.5 percent till March 31st, 1993 and 12.5 percent thereafter—

STOSSEL: Sounds good.

Mr. LAMB:—12.5 percent of what? It's just not there.

STOSSEL: *[voice-over]* That's the problem. Levan has made every interest payment so far, but his bank is losing money. Levan says it will prosper and that he's never defaulted on an obligation, but so few bond investors believe that Levan's company will pay off its bonds that today the limited partners' debenture are worth only 20 percent of what's printed on the bond.

[interviewing] You've heard of junk bonds? This is perceived as real junk. Levan gave his investors these and kept the real estate.

ROY HENRY, Financial Planner: He represents the worst roll-up that I've ever seen.

STOSSEL: *[voice-over]* Roy Henry runs a St. Louis-based financial planning company that helped sell Levan's deals. Now that the deals have gone sour, he and Levan are suing each other.

Mr. HENRY: There is no way that this transaction makes any sense. It is only done for the benefit of Alan Levan, for BankAtlantic. It is not done for the benefit of the limited partners.

STOSSEL: *[voice-over]* Still, Levan couldn't force investors to trade the real estate for his bonds.

[interviewing] How many of you voted yes? How many voted no? But it passed anyway.

[voice-over] Roll-ups must be approved by a majority vote of limited partners and although this group that invested through Roy Henry voted no, most investors said yes.

[interviewing] Why would they okay it?

Mr. HENRY: Because they cannot understand 360 pages of legalese.

STOSSEL: *[voice-over]* Levan sent investors this thick prospectus.

[interviewing] Did you read that?

Mr. LAMB: I could read it all right, but I couldn't understand the darn thing. I'd have to be an attorney or a lot smarter than I am.

> Rep. MATTHEW RINALDO, (R), New Jersey: Let me just show you. Here's one. Look at the size of that thing. Look at all those pages.
>
> RICHARD BREEDEN, Chairman, Securities & Exchange Commission: Well, that's just a summary.

STOSSEL: *[voice-over]* The purpose of a prospectus is to protect investors by telling them important risks, but over the years, regulators have kept increasing the number of things that must be disclosed, so much so that now many investors never read these things.

> Mr. BREEDEN: We're trying to do a better job and we will try and do a better job on that.

STOSSEL: *[voice-over]* Earlier this year, Congress held hearings on the problem.

Rep. RINALDO: We expect the common, ordinary investor to really be handed something like that and we're going to say we shouldn't do anything about it? I think we have to take action.

STOSSEL: *[voice-over]* After Levan sent out his thick prospectus, he started calling people. Well, he didn't call himself, he hired a company in this building—they wouldn't let us inside to take pictures—that employs dozens of people who make phone calls to investors.

Mrs. LAMB: We got phone calls. "Vote yes. This is the only way to go. If you don't vote yes, you'll lose all your money."

STOSSEL: *[voice-over]* When it was over, Levan had spent more than a million dollars of the investors' money to persuade them to vote for something that, so far, had reduced their investment by 80 percent.

Mr. HENRY: If any limited partner truly understood the transaction, they would have voted no.

Mrs. LAMB: I don't know how he sleeps at night, I really don't. I don't know how he can look at his face in the morning when he shaves, knowing that he has taken an unethical path and juiced us out of what was rightfully ours.

STOSSEL: *[voice-over]* Alan Levan himself, on the other hand is doing quite well. He put only a token amount of his own money into the partnerships and for running BankAtlantic along with the parent company that did the roll-up, Levan's been paying himself a salary of almost a million dollars a year.

LESTER TRANEL, Limited Partner: And it just burns you up when you hear this guy's still making a million dollars and we're losing the money.

STOSSEL: *[voice-over]* We wanted to ask Levan about all this.

[on camera] He said if we'd come here to Fort Lauderdale, to BankAtlantic headquarters, he would explain on-camera, why the roll-up was really a good deal for his investors, but right as we were about to leave, we got a letter from his lawyer, saying Levan had changed his mind and would not face the cameras.

[voice-over] He then hired his own camera and taped answers to questions he thought we'd ask.

Was the roll-up fair?

Mr. LEVAN: A majority of the partners voted to accept more risk for the possibility of greater return. I think they made the right decision.

STOSSEL: *[voice-over]* Isn't keeping the real estate for himself a conflict of interest?

Mr. LEVAN: There are definitely conflicts in these transactions. I'm the general partner in the partnerships, I'm Chairman and President of BankAtlantic Financial Corporation, which is a public company. I'm Chairman of BankAtlantic and each of these conflicts were fully and adequately disclosed in the prospectus.

STOSSEL: *[voice-over]* Will his investors be paid?

Mr. LEVAN: In the 20 years that we've been in business, we've never failed to meet a contract or an interest obligation.

STOSSEL: *[voice-over]* He also says now he's only paying himself half a million dollars. We thought we'd hear more complete answers on this day, when Levan, flanked by his lawyers, was summoned by a congressional committee to testify about his roll-ups. Surely the give-and-take of the congressmen would lead us closer to the truth.

Rep. THOMAS J. BLIKLEY, Jr., (R), Virginia: Mr. Levan, do you have an opening statement?

Mr. LEVAN: Yes. I do.

Rep. BLILEY: Very well. The Chair will recognize it. Go ahead, please.

Mr. LEVAN: Yes, sir. But Mr. Chairman, prior to that, I respectfully request that all cameras and recording devices be turned off.

STOSSEL: *[voice-over]* The congressman then told us we could not record Levan's testimony. Congress is now con-

sidering new rules for roll-ups, but they would come too late to help those who feel victimized by Levan.

> Rep. BLILEY: There appears to be only one winner here—Alan Levan. It is clear that the limited partners, the real estate investors, have not benefited nor are they likely to.

STOSSEL: You've seen lots of roll-ups. Have you seen any that made money for the investor?

Mr. HENRY: No. They have all been done in the best interests of the general partner.

STOSSEL: *[voice-over]* Levan's roll-up is just one of many done recently where the general partner seems to have done better than his limited partners. The general partner does have the power. It's something to think about next time someone says, "Give me your money. We'll be partners."

DOWNS: John, you wonder why this endlessly happens to people. Is the little guy ever able to make out in investments of this kind?

STOSSEL: Oh, yeah. I mean, certainly, some limited partnerships have made money for people, but why take the risk? 'Cause so many of them have gone bad. And as you say— I mean, I've reported on so many of these investment deals that went sour and it's always when its complicated and somebody invests in something they don't understand. That's when you get burned.

And the woman in the story said: "I wasn't out to make a killing," but she was trying to make more than she could make from a safe investment and that—

DOWNS: Like a certificate of deposit or something like that.

STOSSEL: Right. And when she invested, they were paying 10 percent. Instead, she lost 80 percent.

DOWNS: Thank you, John.

WALTERS: Well next, a question that millions of couples ask, "What's wrong with our marriage? What can we do about it?" Experts have identified one problem that's almost universal and that happened to this couple.

[voice-over] They got help from a counselor and our cameras were there. What you learn from them could save your relationship. Stone Phillips reports, "You Can Work It Out," right after this.

[Commercial break]

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